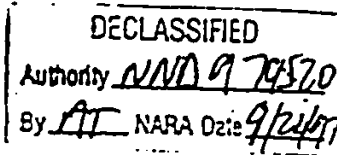


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Options Study of Approaches to President Ford's Trip to the PRC Completed

I have completed, in cooperation with Win Lord and Phil Habib at State, a detailed analysis of various approaches you might take in organizing President Ford's trip to Peking later this year. The study also takes a look at timing options on your own advance trip. In the conclusion, we request an opportunity to receive your guidance on the approach you wish us to take as we pursue advance planning on these trips.

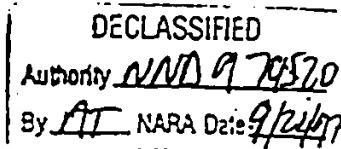
PRCLO Officials Express Concern Ford Might Not Visit China

PRC Liaison Office officials are now actively replaying Teng Hsiao-p'ing's public comments of June 2 to the effect that China will welcome President Ford on his visit later this year even if he is not prepared to promote greater progress on the Taiwan question.

Political Counselor Tsien Ta-yung, during a small dinner with two American academics, emphasized that China would not push the U.S. on the Taiwan question. He said that while the PRC was not prepared to compromise on the principles involved, they would just "let the issue lie" for the time being. He stressed that the problem of Soviet expansionism required that the U.S. and China cooperate on international issues. He went into some detail in describing (in a sympathetic tone) some of the domestic difficulties the President faces, and then emphasized that Mr. Ford should come to Peking despite these problems in order to maintain an active relationship on the more pressing security problems of concern to the U.S. and PRC. We take Tsien's comments as further indication that Peking has given its diplomats internal guidance directing them to emphasize in public contacts the line that our current relations are satisfactory, and that the President's trip should proceed under any circumstance. We believe Chinese officials are somewhat concerned the President might postpone his trip.

Tsien also surprised his academic guests by responding very positively to their suggestion that it was in the mutual interest of both China and the U.S. to "expand" the current exchange program. Tsien seemed to have in mind only a numerical expansion of the current pattern, inasmuch as he

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 was rather noncommittal to their suggestions that the time was ready for a "qualitative change" in the nature of the program to include new types of contacts (such as joint scientific research programs).

An intercepted message reporting the results of a dinner which PRCLO Chief Huang Chen gave for Iranian officials provides more detail on current Chinese attitudes toward the American political scene. PRC officials told the Iranians that there appears to be a diffusion of foreign policy authority at the White House, with your own influence diluted by the greater initiative taken in foreign affairs by the President and Messrs. Hartmann and Rumsteld. PRCLO Deputy Chief Han Hsu spent considerable time with the Iranians (as he has with other visitors in the past several months) discussing purported differences in approach to national security issues between yourself and Secretary of Defense Schlesinger. The Chinese official emphasized that the Pentagon is not very optimistic about detente, a position which the Chinese appreciate. Han also emphasized to the Iranians the PRC's current concern about the Soviet Union's new opportunities for gaining influence in Southeast Asia and the Indian Ocean.

Other Iranian officials were told by the Chinese that the U.S. is in the process of fulfilling its Shanghai Communique commitment to further reduce its forces on Taiwan. They were also told that the Chinese government did not encourage North Korean leader Kim Il-song to take advantage of the current atmosphere in Asia and in the U.S. to launch more aggressive actions against South Korea.

#### PRC Tensions with Moscow and Hanoi Over Southeast Asian Developments Revealed

An intercept reporting a recent conversation between the Chinese ambassador to Albania and his Italian counterpart adds weight to indications that Peking's relations with Hanoi and Moscow over developments in Southeast Asia are quite strained. The intercept reports the Chinese ambassador commenting to the Italian official that Sino-Soviet relations in Southeast Asia are "continually worsening." Peking is dissatisfied with Hanoi's policies, which seem to represent a Soviet point of view, and is concerned as well about North Vietnamese "chauvinism." The Chinese see Hanoi as assertive in pressing through military action the Vietnamese claim to contested islands in the Gulf of Siam which has put Hanoi in conflict with the new Cambodian regime. The Chinese official also indicated that the reunification of Vietnam is considered inevitable but not desirable from a PRC point of view.

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